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m/045/008

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August 23, 2002

D. Wayne Hedberg
Permit Supervisor
Mineral Regulatory Program
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P. O. Box 145801
Salt Lake City, Utah 84114-5801

Re: Rowley/Stansbury Pond Project (M/045/008): Copy of Stipulation

Dear Wayne:

On behalf of US Magnesium LLC, enclosed is a copy of the signed "Stipulation and Order Between Magnesium Corporation of America and Utah Department of Natural Resources Regarding, Among Other Things, Assignment of Executory Contracts," as approved by the U.S. Bankruptcy Court, Southern District of New York, on June 17, 2002. We are providing this copy in response to your request at the July 11, 2002 meeting between representatives of the Division of Oil, Gas and Mining and US Magnesium.

As we discussed at the July 11th meeting, the Stipulation and Order allows US Magnesium a 90-day period in which to post a new reclamation surety for the above-referenced mining project, which period is triggered by the closing of the sale by Magcorp to US Magnesium of its assets. The closing date of that sale was June 24, 2002.

If you have any questions, please give me a call at (801) 536-6658.

Sincerely yours,

Parsons Behle & Latimer

Michael J. Malmquist

MJM/cvd
Enclosure
cc: (w/ Enclosure)
Steven F. Alder, Asst. Atty. Gen.
Lee R. Brown, US MagCorp

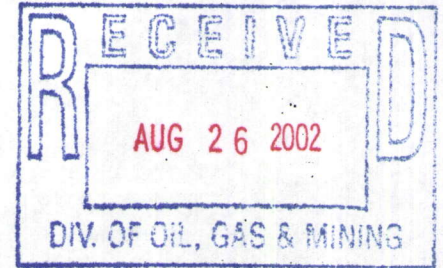
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DIVISION OF
OIL, GAS AND MINING

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re	:	Chapter 11
	:	
MAGNESIUM CORPORATION	:	Case No. 01-14312 (REG)
OF AMERICA, <u>et al.</u> ,	:	
	:	
Debtors.	:	(Jointly Administered)

**STIPULATION AND ORDER BETWEEN MAGNESIUM
CORPORATION OF AMERICA AND UTAH DEPARTMENT
OF NATURAL RESOURCES REGARDING, AMONG OTHER
THINGS, ASSIGNMENT OF EXECUTORY CONTRACTS**

WHEREAS, on August 2, 2001 (the "Petition Date"), Renco Metals, Inc. ("Metals") and its wholly owned subsidiary, Magnesium Corporation of America ("Magcorp"), filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Court");

WHEREAS, by Order of the Court, dated June 5, 2002, the Court authorized the sale (the "Sale") of substantially all the assets to US Magnesium LLC ("US Mag");

WHEREAS, the Sale is currently scheduled to close on or about June 18, 2002;

WHEREAS, the Sale requires the transfer of various leases and permits (collectively, the "Executory Contracts") to which the State of Utah, including its Department of Natural Resources, Division of Forestry, Fire and State Lands, Division of

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Oil, Gas and Mining, and its State School and Institutional Trust Lands Administration ("Utah") is either a party or a grantor;

WHEREAS, Utah objected to the proposed sale, including on the grounds that (i) Magcorp's proposed cure amounts under the Executory Contracts were incorrect and did not take into account an additional reclamation bond, and (ii) US Mag had not provided adequate assurance of future performance (the "Objections");

WHEREAS, the Court has scheduled a hearing for Monday, June 17, 2002 to resolve the Objections; and

WHEREAS, the parties have resolved the Objections under the terms and conditions hereof.

NOW, THEREFORE, it is hereby stipulated and agreed as follows:

1. Utah hereby stipulates to the assignment of Mineral Lease ML 18779 from MagCorp to US Mag. Utah shall promptly formalize its approval upon receipt of a standard assignment form executed by Magcorp and US Mag in connection with the closing of the Sale.

2. US Mag agrees to pay at closing, in full and complete satisfaction of all defaults existing under the Executory Contracts the sum of \$62,080 in cash (the "Cure Amount").

3. Utah hereby stipulates to the transfer of Approved Notice of Intention M/045/008 (the "Approved Notice of Intention") from Magcorp to US Mag, subject to a requirement that US Mag post a reclamation surety in the amount of \$349,866, which amount shall be fixed for a period of at least five years at which time the surety will be subject to review by Utah in accordance with Division of Oil Gas and Mining policy. This surety shall replace the current surety of \$15,278 (the "Pre-transfer Surety"). Utah shall promptly formalize its approval of the transfer upon receipt of a standard transfer form executed by Magcorp and US Mag in connection with the closing of the Sale, subject to and effective upon posting of reclamation surety as set forth herein. US Mag shall be allowed a reasonable period following closing, not to exceed 90 days, in which to post the surety. Immediately upon posting the surety and upon final inspection and certification that reclamation of all Oolitic Sands and Borrow Areas has been completed in accordance with applicable laws and regulations, the Pre-transfer Surety will be cancelled and released and Utah will deliver to US Mag any collateral held by Utah securing Magcorp's obligations under the Pre-transfer Surety"). US Mag is hereby authorized to operate the Rowley/Stansbury Pond mining operation during the period, if any, between the closing of the Sale and the formalization of Utah's transfer approval and the posting by US Mag of the surety, not to exceed ninety days from closing.

4. It is hereby agreed to by the parties that Mineral Lease ML 45786 (the "Oolitic Sands Lease") terminated by its terms prior to the Petition Date. Utah further acknowledges that it has no claims against Magcorp under the Oolitic Sands Lease that would constitute an administrative expense claim against the Debtors' estates.

Notwithstanding the foregoing, Utah reserved its rights to file a prepetition general unsecured claim against the Debtors arising from or related to the Oolitic Sands Lease and the Debtors reserve all of their respective rights with respect to any such claim.

5. In consideration of the agreements of the parties set forth in this Stipulation and Order, Utah hereby withdraws its Objections.

6. In furtherance of this Stipulation and Order, Utah agrees to use reasonable efforts to assist Magcorp and US Mag in assigning or transferring those Executory Contracts which US Mag designates for transfer.

7. This Stipulation and Order may be executed in counterparts and may be modified only in writing by all parties hereto.

8. This Stipulation and Order and the agreement of the parties as set forth herein is subject to approval by the Court and nothing in this Stipulation and Order shall be binding upon or used against either of the parties in the event the Stipulation is not so approved.

Dated: June 17, 2002

CHADBOURNE & PARKE LLP

By: /s/ Joseph H. Smolinsky
Joseph H. Smolinsky (JS-8408)

30 Rockefeller Plaza
New York, NY 10112
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Attorneys for Debtors and Debtors
in Possession

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Attorneys for US Magnesium LLC

THE STATE OF UTAH

By: /s/ John B. Maycock
John B. Maycock (JM-)
Assistant Attorney General

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Salt Lake City, Utah 84116
(801) 538-7227

APPROVED AND SO ORDERED:

/s/ Robert E. Gerber 6/17/2002
United States Bankruptcy Judge

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